

#13 VENDING MACHINES & AMUSEMENT DEVICES

An Educational Guide to Sales Tax in the State of Idaho

This brochure is intended to help owners and operators of vending machines and amusement devices understand the sales tax laws that apply to their business. This information is based on sales tax laws and rules in effect on July 1, 2005.

VENDING MACHINES

What is a “vending machine”?

A “vending machine” is any mechanical device which, without the help of a human cashier, dispenses tangible personal property to a buyer who deposits cash in the device.

Is the sale of items from a vending machine subject to sales tax?

Yes. The sale of tangible personal property through a vending machine is a taxable transaction.

Sales tax on items sold through a vending machine must be calculated according to the following formulas:

- Items sold for 12¢ through \$1.00 are taxed at 117% of the seller’s cost of the merchandise.
- Items sold for \$1.01 or more are taxed on the full retail sales price.
- Items sold for 11¢ or less are not taxed.

Example: A vending machine operator buys candy bars for 25¢ each. He sells the candy through a vending machine for 50¢ a bar. In June, he sells 100 candy bars and collects \$50 from his vending machine. He owes \$1.46 sales tax for June. He enters \$29.25 on line 1 of his sales tax return.

Formula:

$$25\text{¢} \times 100 = \$25 \times 117\% = \$29.25 \times 5\% = \$1.46$$

Example: A vending machine operator sells cigarettes through a vending machine for \$2.00 per pack. In the month of July he sells 100 packs of cigarettes and collects \$200 from his machine. He owes \$9.52 sales tax for July.

Formula:

$$\$200 \div 1.05 = \$190.48 \times 5\% = \$9.52$$

(In this formula, \$200 represents the total receipts, including sales tax. This amount must be divided by 1.05 to determine the receipts *before* sales tax.)

Do I need a seller’s permit if I own and operate a vending machine?

Yes. If you sell tangible personal property through a vending machine, you are required to get a seller’s permit. You must remit sales tax on regular sales tax returns.

Also, each vending machine must display your name, address, and seller’s permit number.

When you buy merchandise for resale, you should give your suppliers a completed form ST-101, Sales Tax Resale or Exemption Certificate, which allows you to buy your inventory tax exempt (see Brochure #5 - Retailers and Wholesalers: Making Exempt Sales).

If I have a vending machine in my store and I split the income with the company that owns the machine, do we each pay sales tax on our share of the income?

No. One of you must pay the tax on the total income. The one who has the key to the coin box is usually the one responsible for the tax.

If you have control of the income under a verbal or written lease, you are responsible for the tax. If the owner of the machine has the key to the coin box and controls the income, he is responsible for the tax.

Are there any sales through coin-operated devices that are not taxable?

Yes. Receipts from any of the following coin-operated machines are not taxable:

- blood pressure machines
- laundromat washers and dryers
- car washes and vacuums
- air compressors
- telephones

Does sales tax apply to the purchase of vending machines?

No. The sale, purchase, lease, or rental of money-operated dispensing equipment is exempt from tax if the equipment is used to dispense a product that is taxed.

Examples of tax-exempt equipment:

- cigarette machines
- food vending machines
- coffee vending machines
- pop machines
- copy machines
- newspaper vending machines

The machines can be purchased tax-exempt because they are operated by money and the proceeds from sales are taxable.

Examples of coin-operated machines that are not exempt from tax:

- blood pressure machines
- laundromat washers and dryers
- car washes and vacuums
- air compressors
- telephones

(Since the receipts from these machines are not taxable, the machines are not exempt.)

Are repair parts from coin-operated vending machines also tax exempt?

No. The tax exemption for the equipment does not apply to parts, kits, or supplies used to repair, refurbish, or upgrade the dispensing equipment.

AMUSEMENT DEVICES

What is an “amusement device”?

An “amusement device” is any coin- or token-operated machine or device used for amusement. This includes coin-operated video game machines, pool tables, jukeboxes, pinball machines, and similar devices.

Should I charge tax for using an amusement device?

No. However, if you are the owner or operator of the amusement device, you must pay an annual permit fee of \$35 for each machine. An official decal must be purchased from the Idaho State Tax Commission and placed on the machine in a visible spot. Decals are valid from July 1 through June 30 and must be renewed each year.

What if I add a machine later in the year?

You must buy a decal and pay the full \$35 fee. The fee is *not* prorated on months of use.

Do I need a seller’s permit?

No. If the amusement device owner does not have retail sales, he does not need a seller’s permit.

Does sales tax apply to the purchase of amusement device machines?

No. The purchase or lease of the amusement device machine is exempt from sales tax. Repair parts and supplies are not exempt from sales tax.

Can my decal be transferred to another person?

Decals are transferable from one person to another by written notice to the Tax Commission. A decal *can* be transferred from a machine that is no longer in service to another machine owned or operated by the same person.

For more information, read:

Brochure #2	Use Tax
Brochure #4	Retailers
Brochure #5	Retailers and Wholesalers: Making Exempt Sales
Rule 58	Sales through Vending Machines
Rule 95	Money Operated Dispensing Equipment
Rule 109	Amusement Devices

For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- tax.idaho.gov

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.